

Swedish Parliament votes on the EU Directive on sustainability reporting



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New Context

Background

The EU directive 2014/95 on non-financial reporting came into force on 6 December 2014 and has thus to be transposed of member states by 6 December 2016. The Swedish government tabled a bill at the parliament end May 2016 and the committee on civilian affairs worked out a comment that was presented on October 20. The parliament then debated the issue on 26 October and voted the same day. The government's bill was approved. The new law will be valid from December 1 2016 and apply to companies' annual reports for financial year starting after December 31 2016, that is from 1 January 2017. 311 of the parliament's 349 members took part.

1. The debate

The debate took more than an hour with 34 interventions and all parties took part except for the Green party that was absent. The parties were represented by one of their members of the committee on civilian affairs (the reason being that it concerns changes of the various laws on accounting). All statements can be retrieved on the web site of the parliament (www.riksdagen.se).

The Government's bill was introduced and defended by Johan Löfstrand (S). He referred to the arguments in the bill that sustainability reporting (the term chosen by Sweden instead of non-financial information) is necessary for forward looking companies, it improves the competitiveness and has become a symbol of Swedish enterprises. It is estimated that several hundred Swedish companies are today producing a sustainability report and to limit it to listed companies with more than 500 employees (100 according to the government), as the EU Directive sets as a minimum, would be a step backwards. Instead the government finds it useful to enlarge it to all companies that have at least 250 employees, which in Sweden is estimated to be 1,600 companies.

In the debate the opposition parties mainly argued against increasing the scope to 1,600 companies. They did not like the frequent trend of the government to do more than the EU minimum limit (gold plating) and they felt that Swedish companies would lose competitiveness. They also argued that the cost for a sustainability report was more probably around 1-2 million SEK as The Federation of Swedish Industries argued, than around 100 000 SEK as the government argued in the bill.

Of particular viewpoints from some of the opposition parties could be noted:

The Christian Democrats argued that the companies belonging to groups should report even if they are owned by a municipality. The directive and the bill only includes companies that belong to groups where the holding company is a listed company.

The Center party argued that companies with 250-500 employees should have a simplified procedure.

The Swedish Democrats objected to the part of the bill that deals with diversity as they do not see that as a value in itself.

New Context AB

2. The vote

As there were two reservations to the bill, #1 which rejected the bill because of the different scope compared to the EU Directive and #2 which in principle was negative to the enlargement but could accept it if it included the additional views proposed by the Christian Democrats and the Center party, the speaker proposed that the bill would be voted on against #1 reservation and then there would be a vote on the bill vs. #2 reservation. This procedure was approved by the parliament.

The result of the two votes were

1. 178 for the bill, 133 against (supporting reservation #1)
2. 149 for the bill, 126 against (supporting reservation #2) and 36 abstained.

3. Analysis

Reservation #1 was backed by the Moderate party, the Liberals and the Swedish Democrats.

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As the red-green government, supported by the Left party controls 159 votes, the 4 Alliance parties (Mod, Lib Center, CD) has 143 and the Swedish Democrats 48 votes every voting requires that the government has support from some MPs, theoretically 16 if all MPs are present.

The vote #2 was narrowly won by the red-green government as the Swedish Democrats abstained. At vote #1, where the Swedish Democrats joined the Moderate and the Liberal party in a rejection, the government was helped by the Christian Democrats and the Center party that could accept a legislation with their own additions.

When the government did not accept any of these two additions they gambled that the Swedish Democrats would not join the four opposition parties. Along the same lines the Christian Democrats and the Center party did not sign on reservation #1, perhaps with a fear that they would overturn a government bill together with the Swedish Democrats.

Another argument from the debate that is symptomatic of the difficult situation in the parliament is that two parties complained that the bill came to the parliament very late and made it impossible to send it back to the government to include some changes. Whether the delay was intentional or not is difficult to judge.

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